

Message Text

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INFO AMEMBASSY BELGRADE

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C O N F I D E N T I A L SECTION 1 OF 3 BERLIN 0481

E.O. 11652: GDS

TAGS: PFOR, GE, US

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SUBJECT: POLICY ASSESSMENT FOR THE GDR

INTRODUCTION

INASMUCH AS NO EUROPARA FOR EAST GERMANY EXISTS
TERMS OF REFERENCE FOR THE GDR, AT THIS STAGE, ARE
LIMITED. HAVING SUBMITTED OUR LATEST ANNUAL POLICY
ASSESSMENT ON DECEMBER 22, 1973 (BERLIN 2183, IN THIS
PAPER WE HAVE ATTEMPTED A BROAD-STROKE SKETCH, ALONG PARA
LINES, OF U.S. INTERESTS IN EAST GERMANY, ALTHOUGH WE

RECOGNIZE THAT WE ARE NOT IN A POSITION TO GIVE DEFINITIVE
FORM TO SUCH AN EFFORT. AT SAME TIME, WE HAVE SOUGHT
TO INJECT A NOTION OF CURRENT EAST GERMAN TRENDS, PARTICULARLY
THOSE AFFECTING U.S. INTERESTS.

BERLIN POLICY ASSESSMENT, REPORTED SEPARATELY,
ADDRESSES MORE SPECIFICALLY POSSIBILITY OF INCREASED GDR
EFFORTS TO PLAY A ROLE IN REGARD TO BERLIN.

I. U.S. REGIONAL INTERESTS

A HIGHLY INDUSTRIALIZED STATE STRADDLING STRATEGIC
NORTH-CENTRAL EUROPEAN PLAIN, GERMAN DEMOCRATIC REPUBLIC
IS IN PROCESS OF ASSUMING AN INCREASING POLITICAL/ECONOMIC
SIGNIFICANCE IN EAST-WEST POWER EQUATION. A SOVIET
SATRAPY SINCE 1945, EAST GERMANY HAS HAD UNIQUE ROLE IN THE
POST-WAR ERA. HERE LARGEST SOVIET GARRISONS IN EASTERN
EUROPE HAVE SETTLED INTO SEEMINGLY PERMANENT MILITARY
OCCUPANCY IN DIRECT CONFRONTATION WITH ALLIED FORCES TO THE
WEST. HERE POLITICAL DICTATES CREATED IN BERLIN A WESTERN
ENCLAVE IN MIDST OF EAST GERMANY'S QUASI-SOVEREIGNTY.
HERE GERMAN INDUSTRIES AND KNOW-HOW HAVE ESTABLISHED
SECOND STRONGEST ECONOMIC ENTITY IN EASTERN EUROPE. AND,
HERE TOOK ROOT, AS RESULT OF FORCIBLE SOVIET TRANSPLANT,
FIRST "SOCIALIST" GERMAN STATE, SEPARATE FROM AND IN
ACTIVE COMPETITION WITH WEST GERMANY.

THESE DEVELOPMENTS ENGAGE, IN PRACTICALLY EVERY INSTANCE,
U.S. REGIONAL INTERESTS. U.S. AND SOVIET POWER, UNDERPINNING
THE CURRENT EUROPEAN MILITARY ALLIANCE SYSTEMS, FOR EXAMPLE,
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IS DEEPLY COMMITTED TO AND ANCHORED IN THE TWO GERMANIES.
WHILE THIS HAS LEAD TO CONSIDERABLE DEGREE OF STRATEGIC
STABILITY IN THE CENTRAL EUROPEAN AREA, IT AT SAME TIME
HAS CREATED A MILITARY SENSITIVITY THAT RESPONDS AUTOMATICALLY
WHEN RAW NERVE OF CHANGE IS TOUCHED, WHETHER BY SHIFTING
EAST-WEST POWER FACTORS, BY INNER-GERMAN GYRATIONS, OR BY
DETENTE. ON ANOTHER PLANE, BERLIN HAS COME TO SYMBOLIZE FOR
U.S. AND OTHER ALLIES AN IMPORTANT MEASURE OF

INTERNATIONAL POLITICAL COMMITMENT, WHICH REMAINS DESPITE
EFFORTS TO REMOVE THE CITY FROM FRONTBURNER OF EAST-WEST
CONTROVERSY. IN THIS REGARD, REALITIES OF GDR GEOGRAPHY
COULD BE EXPECTED TO INJECT EAST GERMAN INTERESTS VOLENS
NOLENS INTO ANY REVIVAL OF POLITICAL CONTENTIONS OVER THE
CITY. MEANWHILE, GDR'S ECONOMIC POTENTIAL, ITS NEWLY
ACQUIRED INTERNATIONAL ACCEPTANCE, AND THE EVOLVING FRG-GDR
MODUS VIVENDI HAVE SET IN MOTION NOVEL POLITICAL/ECONOMIC
FACTORS, WHICH WHILE CURRENTLY DEFYING QUANTIFICATION, SEEM
CERTAIN TO HAVE REAL CONSEQUENCES FOR FUTURE COURSE OF
EAST-WEST RELATIONS AND STABILITY IN CENTRAL EUROPE.

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AT A MORE IMMEDIATE LEVEL, GDR HAS GIVEN AMPLE
EVIDENCE AT BOTH CSCE AND MBFR THAT IT WILL SEEK, WITH
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SOVIET CONCURRENCE, A MORE DIRECT PARTICIPATORY ROLE IN
THOSE REGIONAL EUROPEAN ACTIVITIES OF SPECIFIC INTEREST TO
U.S. WHILE IN MOST INSTANCES EAST GERMAN POSITIONS
WILL REFLECT SOVIET POLICIES, THEY WILL CONTINUE TO BE
NUANCED IN DIRECTION OF GDR PERCEPTIONS AND PRIORITIES.
AS RESULT OF ITS EXPOSED POSITION VIS-A-VIS FRG, FOR
EXAMPLE, GDR CAN BE EXPECTED TO SHOW A PARTICULARLY STRONG
SENSE OF VULNERABILITY TO ANY INCREASE IN EAST-WEST HUMAN
CONTACTS. ON MBFR, GDR WILL BALANCE MORE CAREFULLY THAN
OTHERS ANY POSSIBLE REDUCTIONS AGAINST ITS IMAGINED OR REAL
DOMESTIC SECURITY REQUIREMENTS, WITH RESULT THAT GDR
RELUCTANCE TO ACCEPT MEANINGFUL REDUCTIONS MAY WELL PROVE
GREATER THAN THAT OF ITS EASTERN NEIGHBORS. WHILE SOVIET
REGIONAL AND GLOBAL INTERESTS WILL CERTAINLY PREVAIL, THEY
VERY LIKELY WILL TAKE MAXIMUM ACCOUNT OF GDR CONCERNS. BOTH
BECAUSE SOVIETS LARGELY SHARE THOSE CONCERNS AND BECAUSE
GDR IS GAINING INCREASING ECONOMIC LEVERAGE IN MOSCOW.

II. BILATERAL US-GDR INTERESTS AND PROPOSED COURSES OF ACTION

A. ESTABLISHMENT AND NORMALIZATION OF US-GDR RELATIONS

GDR HAS REAPED FRUITS OF DETENTE GENERALLY
AND FRG'S EASTERN POLICY SPECIFICALLY IN TERMS OF
INTERNATIONAL RECOGNITION. BY LATE 1973, DIPLOMATIC
OSTRACISM OF EAST BERLIN HAD FOR ALL INTENTS AND PURPOSES
CEASED: GDR HAD BEEN RECOGNIZED BY MOST NATIONS OF WORLD
AND HAD ACHIEVED UN MEMBERSHIP.

AT PRESENT UNITED STATES IS ONE OF THE FEW COUNTRIES
WITHOUT DIPLOMATIC REPRESENTATION IN EAST BERLIN. WHILE
THIS STATE OF AFFAIRS IS RESULT OF A COMBINATION OF
PROCEDURAL AND SUBSTANTIVE FACTORS, IT SEEMS TO BE COMING
TO AN END. FOR US, ESTABLISHMENT OF RELATIONS MAY OFFER
GREATER ECONOMIC OR POLITICAL OPPORTUNITIES, ESPECIALLY
IN LONG RUN, AS GDR ACQUIRES INCREASED SELF-CONFIDENCE.

MOST IMPORTANTLY, IT COULD PROVIDE US WITH AT LEAST LIMITED INFLUENCE IN THIS KEY FORWARD AREA OF WARSAW PACT AND THUS ASSIST US IN PURSUIT OF ITS REGIONAL INTERESTS IN CENTRAL EUROPE. GDR FOR ITS PART WOULD CONSIDER ESTABLISHMENT
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OF DIPLOMATIC RELATIONS WITH WASHINGTON CAPSTONE OF ITS INTERNATIONAL LEGITIMACY. WHILE EAST GERMAN SEEM SOMEWHAT APPREHENSIVE ABOUT IMPACT OF A US PRESENCE, THEY ARE CLEARLY INTRIGUED BY PROSPECTS OF DIRECT CONTACT WITH WASHINGTON ANY MAY, IN FACT, FORESEE POSSIBILITIES FOR FRUITFUL EXCHANGE, INITIALLY IN COMMERCIAL SECTOR, BUT PERHAPS IN NOT-TOO-DISTANT FUTURE IN POLITICAL AREA AS WELL.

PROPOSED COURSE OF ACTION:

1. IN PRACTICAL TERMS ESTABLISHMENT OF DIPLOMATIC RELATIONS WITH GDR IS BASICALLY A TECHNICAL OPERATION. HERE BALANCE OF INTEREST IS RELATIVELY EASIER TO ASSESS. WEIGHT OF PRESTIGE AND INFLUENCE IS WITH UNITED STATES, SO WASHINGTON SHOULD BE IN POSITION TO DETAIL CAREFULLY AND PATIENTLY ITS ADMINISTRATIVE AND OPERATIONAL REQUIREMENTS IN EXPECTATION THAT GDR WILL DO WHAT IT CAN TO MEET THEM. IN THIS REGARD A CAUTIONARY NOTE IS CALLED FOR: EAST BERLIN IS BESET WITH A REAL HOUSING SHORTAGE AND U.S. IN OUR VIEW WILL HAVE TO BE SOMEWHAT FLEXIBLE IN ADJUSTING TO THE TIME/PLACE LIMITATION INHERENT IN THE SITUATION.

2. ONCE RELATIONS ARE ESTABLISHED, HOWEVER, UNITED STATES CAN BE EXPECTED TO BE CONFRONTED WITH A CONSTANT RUN OF TOUGH BILATERAL PROBLEMS, STEMMING FROM THE NATURE OF GDR SYSTEM AS WELL AS POLITICAL/SECURITY CONFIGURATION INSIDE OF AND IMMEDIATELY AROUND GDR. A NUMBER OF DIFFICULTIES CAN ALSO BE EXPECTED TO ARISE IN CONNECTION WITH IMPORTANCE WE WILL UNDOUBTEDLY CONTINUE TO ATTACH TO OUR RELATIONSHIP WITH FRG, AS WELL AS TO OUR POSITION IN BERLIN--KEY ELEMENTS OF U.S. POLICY IN CENTRAL EUROPE. TO EXTENT POSSIBLE, U.S. POLICY TOWARDS THE GDR SHOULD BE DESIGNED TO INDUCE GDR TO COMPLY WITH THE QA AND RELATED INNER-GERMAN AGREEMENTS. (OUR INTERESTS IN PROTECTING THESE ARRANGEMENTS ARE DISCUSSED IN THE BERLIN ASSESSMENT.)

B. EXPANSION OF U.S. EXPORTS TO AND U.S. COMMERCIAL PRESENCE IN GDR

DESPITE PROBLEMS CREATED BY A RIGID CENTRALIZED
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ECONOMIC APPARATUS AND CEAM ENFORCED TRADING PATTERNS, GDR HAS SUCCEEDED IN DEVELOPING ONE OF THE MOST ADVANCED AND EFFICIENT ECONOMIES IN EASTERN EUROPE. HOWEVER, FOR ALL PRACTICAL PURPOSES GDR HAS HAD ONLY LIMITED OPPORTUNITY TO DEVELOPE IN ANY SUBSTANTIAL WAY ITS TRADE WITH INDUSTRIALIZED WEST, WITH EXCEPTION OF FEDERAL REPUBLIC. IN INTERESTS OF ECONOMIC GROWTH, EAST GERMANS ARE NOW INTENT ON MODERNIZING AND REFINING THEIR INDUSTRIAL BASE BY SECURING ACCESS TO A MAXIMUM AFFORDABLE AMOUNT OF WESTERN TECHNOLOGY AND KNOW-HOW. GDR IS CASTING AN INCREASINGLY CURIOUS EYE TOWARD AMERICAN MARKET TO SOVLE SOME OF ITS MORE GLARING ECONOMIC DEFICIENCEIS. REALISTICALLY, LEVEL OF US-GDR TRADE CAN BE EXPECTED TO REMAIN SMALL IN ABSOLUTE TERMS (IT WAS LESS THAN \$40 MILLION IN BOTH DIRECTIONS IN 19743). HOWEVER, A SIZEABLE PERCENTAGE INCREASE IS POSSIBLE, AND SO LONG AS IT SERVES AMERICAN INTEREST, CLEARLY SHOULD BE ENCOURAGED BY UNITED STATES. STRUCTURALLY, OF COURSE, GROWTH IN US-GDR TRADE IS LIMITED BY FACT THAT GDR, LACKING HARD CURRENCY, MUST BE ABLE TO EXPORT MORE OF ITS GOODS TO AMERICAN MARKET IN ORDER TO BALANCE AT LEAST PARTLY INCREASED IMPORTS FROM UNITED STATES. IN THIS REGARD, EXTENSION OF MFN TO EAST GERMANY MAY BE HELPFUL. COMMERCIAL PROSPECTS MAY ALSO BE IMPROVED BY A BILATERAL TRADE AND SCIENTIFIC-TECHNICAL EXCHANGES, PARTICULARLY IF UNITED STATES IS ABLE TO SECURE GDR AGREEMENT FOR U.S. AND EAST GERMAN FIRMS TO ENGAGE IN JOINT VERTURES. INASMUCH AS ECONOMIC INTEREST IN SUCH ARRANGEMENTS RESTS PRIMARILY WITH GDR, U.S. SHOULD BE ABLE TO TAKE ADVANTAGE OF THAT INTEREST TO EXTRACT GDR COMMITMENT TO MEET OUR OWN REQUIREMENTS, INCLUDING SOME IN POLITICAL AREA.

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PROPOSED COURSES OF ACTION

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1.UNDER APPROPRIATE POLITICAL CIRCUMSTANCES,
UNITED STATES EVENTUALLY SHOULD CONSIDER EXTENDING
MFN AND EX-IM BANK CREDITS AND GUARANTEES TO GDR. U.S.
DECISIONS IN THIS REGARD NATURALLY MUST AWAIT PROGRESS ON
THESE QUESTIONS WITH SOVIET UNION AND OTHER EE'S AND
BE WEIGHED AGAINST OTHER U.S. GDR BILATERAL ISSUES SUCH AS
CLAIMS, ETC.

2. U.S. INTEREST IN PROMOTING JOINT
VENTURES BETWEEN U.S. AND EAST GERMAN FIRMS SHOULD BE
STRESSED IN ANY OFFICIAL ECONOMIC DISCUSSIONS WITH GDR.
IN ADDITION, U.S. SHOULD CONSIDER POSSIBILITY OF
CONCLUDING A BILATERAL COMMERCIAL AGREEMENT, WHICH, ALTHOUGH
PRIMARILY AN EAST GERMAN OPERATIONAL REQUIREMENT, MIGHT ALSO

SERVE AS A FRAMEWORK FOR EXPANDED PRIVATE U.S. INITIATIVES.

3. ON A SELECTIVE BASIS, U.S. SHOULD SEEK TO EXPAND U.S. GDR EXCHANGES IN SCIENCE, TECHNOLOGY AND KNOW-HOW. GIVEN U.S. INTEREST IN EXPOSING GDR INTELLECTUALS AND MANAGERIAL PERSONNEL TO U.S. SOCIETY, WE SHOULD NOT NECESSARILY INSIST ON STRICT NUMERICAL RECIPROCITY AND ALSO BE PREPARED TO CONSIDER A FORMAL EXCHANGE AGREEMENT.

C. GDR DOMESTIC SCENE AND U.S. CULTURAL PRESENCE

GDR CONTINUES TO BE PLAGUED BY UNCERTAINTY REGARDING ITS POPULAR SUPPORT AND WILL CAREFULLY TAILOR ITS POLICIES TO ASSURE THAT ITS SECURITY IS IN NO WAY THREATENED. GENERALLY, THAT MEANS A DEEP-SET SUSPICION REGARDING WESTERN CULTURAL PROGRAMS IN GDR AND BODES ILL FOR ANY U.S. HOPE TO ESTABLISH A WIDE-RANGING INFORMATION PROGRAM THERE.

PROPOSED COURSE OF ACTION

1. INITIALLY U.S. CULTURAL AND INFORMATION PROGRAMS SHOULD BE GEARED LARGELY TOWARD NON-CONTROVERSIAL U.S. SOCIAL ACTIVITIES. WHILE GDR CENSORS MAY BE NERVOUS REGARDING POPULARLY, DISTRIBUTED POLITICAL TRACTS, GOVERNMENT AND PARTY TYPES ARE MARKEDLY CURIOUS ABOUT AND EAGER TO GAIN ACCESS TO U.S. POLITICAL MATERIAL, CONFIDENTIAL

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A SITUATION WHICH U.S. MAY USE EFFECTIVELY AS FOOT IN THE DOOR FOR AN EXPANDED INFORMATION PROGRAM IN FUTURE.

2. ACADEMIC AND SCIENTIFIC EXCHANGES SHOULD BE ACTIVELY PURSUED AND TOURISM ENCOURAGED AS VISIBLE WAYS TO ENHANCE AMERICAN IMAGE IN GDR. INASMUCH AS EAST GERMAN MEDIA CAN BE EXPECTED, FOR POLITICAL REASONS, TO MAINTAIN THEIR GENERAL HOSTILITY, U.S. FACILITATIVE ASSISTANCE FOR EAST GERMAN JOURNALISTS SHOULD BE HIGHLY SELECTIVE.

3. DURING INITIAL DISCUSSIONS WITH GDR ON ESTABLISHMENT OF RELATIONS, U.S. SIDE PROPOSED SETTING UP TWO SMALL CULTURAL/COMMERCIAL OPERATIONS IN ROSTOCK AND LEIPZIG. IN THEIR INFORMAL REACTION THUS FAR, EAST GERMANS HAVE PREDICTABLY BALKED ON CULTURAL ASPECTS, CLAIMING THAT WESTERN INFORMATION PROGRAMS WERE EXTREMELY DIFFICULT FOR REGIME. THE COMMERCIAL SIDE OF U.S. PROPOSAL HAS EVOKED A MORE POSITIVE REACTION, HOWEVER. UNDER THE CIRCUMSTANCES, SHOULD U.S. WISH TO GO AHEAD WITH BRANCH OFFICES, IT MAY BE BEST TO STRESS COMMERCIAL ASPECTS, KEEPING CULTURAL OPERATIONS IN

BACKGROUND UNTIL SUCH TIME AS GDR MAY BECOME MORE
RECEIPTIVE TO THEM.

D. U.S. CITIZEN INTERESTS IN EAST GERMANY

WITH ESTABLISHMENT OF DIPLOMATIC RELATIONS,
NUMBER OF U.S. CITIZENS TRAVELLING OR WORKING IN EAST
GERMANY CAN BE EXPECTED TO INCREASE. U.S.
CONSEQUENTLY WILL HAVE TO BE IN A POSITION TO RENDER THESE
CITIZENS PROTECTION AND SERVICES. IN ADDITION,
U.S. WILL BE OBLIGATED TO FORWARD AND SUPPORT PROPERTY AND
RESTITUTION CLAIMS OF U.S. CITIZENS AGAINST GDR.

PROPOSED COURSE OF ACTION

DURING SUBSTANTIVE NEGOTIATIONS ON
ESTABLISHMENT OF U.S. GDR RELATIONS, AND PENDING A
CONSULAR CONVENTION, U.S. SHOULD SECURE GDR ASSURANCES
AS REAGRDS PROTECTION AND WELFARE OF AMERICAN CITIZENS.
WE SHOULD ALSOSEEK AN UNDERSTANDING ON UNIFICATION
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OF SEPARATED FAMILIES. IN ADDITION, WE SHOULD OBTAIN AS
IRON-CLAD A COMMITMENT AS POSSIBLE FROM GDR TO NEGOTIATE
SERIOUSLY, AT A LATER DATE, A SETTLEMENT OF CLAIMS, WHILE
OTHER WESTERN NATIONS HAVE RECEIVED A SIMILAR COMMITMENT
FROM GDR, EAST GERMANS TO DATE HAVE BEEN MOST
RELUCTANT TO ACKNOWLEDGE ANY RESPONSIBILITY REGARDING CLAIMS
FOR DAMAGES PRIOR TO THE FOUNDING OF GDR, WHICH SUGGESTS
THAT U.S. MUST EXERCISE CONSIDERABLE CARE IN THE
FORMULATION OF SUCH AN AGREEMENT.

E. U.S. AND THE GDR IN INTERNATIONAL FORA

PRIMARILY AS A RESULT OF EAST-WEST COMPETITION,
U.S. AND GDR INTERNATIONAL INTERESTS WILL TEND TO DIVERGE.
HOWEVER, THERE ARE AREAS, WHERE USEFUL COOPERATION IS POSSIBLE,
SUCH AS ENVIRONMENT, FISHERIES, ENERGY AND HEALTH. IN
SEVERAL INSTANCES, IN FACT, SUCH AS SKYJACKING AND NARCOTICS
CONTROL, EAST GERMAN HAVE PASSED DOMESTIC LEGISLATION
WHICH IMPLIES NOT ONLY AN AWARENESS OF, BUT A CERTAIN
WILLINGNESS TO COOPERATE IN, INTERNATIONAL PROGRAMS DESIGNED
TO CORRECT BROAD-SCALED SOCIAL PROBLEMS.

PROPOSED COURSE OF ACTION

U.S. SHOULD ENCOURAGE ACTIVE EAST
GERMAN PARTICIPATION IN A VARIETY OF INTERNATIONAL COMMITTEES
AND CONFERENCES ON ESSENTIALLY NON-POLITICAL INTERNATIONAL
PROBLEMS. WHILE EAST GERMANS MAY BE EXPECTED TO BE WARY

OF SUCH ACTIVITIES INITIALLY, THEY GENERALLY HAVE A PROFESSIONAL APPROACH TOWARD COMMITTEE WORK AND CAN BE EXPECTED TO BE FORTHCOMING WHEN IT HAS BEEN DEMONSTRATED THAT THEIR INTEREST WOULD BE BEST SERVED BY DOING SO. ALSO, SUCH COMMITTEE EXPERIENCE MAY PROVE TO BE A POLITICALLY VALUABLE EDUCATION FOR EAST GERMANS.

III. STAFFING PATTERNS

IT IS OUR UNDERSTANDING THAT DEPARTMENT ALREADY HAS PROPOSED INITIAL AND PERMANENT STAFFING FOR AN AMERICAN EMBASSY IN EAST BERLIN.KLEIN

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